

STATINTL

Dodd to Rely on Political Use of Funds

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Sen. Thomas J. Dodd, D-Conn., will attempt to show the Internal Revenue Service and the Senate Ethics Committee that the more than \$100,000 he received from testimonial dinners and parties was used only for political purposes.

Both Dodd and his associates declined to comment, but it was learned yesterday from reliable sources that the senator is

prepared to use that approach as his principal defense against charges that he diverted campaign funds for his personal use.

Dodd is prepared to argue that most of the funds raised on his behalf were applied to his unsuccessful 1956 senatorial campaign as well as his successful 1958 and 1964 campaigns, these sources said.

He currently is gathering together receipts and other rec-

ords from the last 10 years in an effort to show the disposition of between \$100,000 and \$200,000 raised at testimonial dinners, cocktail parties and other functions in 1961, 1963 and 1965.

He also will argue that such funds can be legitimately used for "political purposes," as opposed to "campaign purposes." The difference, Dodd is said to believe, is that political expenses are incurred throughout a term of office, while

campaign costs are incurred only during an active political campaign.

Dodd will attempt to convince the IRS and Ethics Committee that it is both legal and ethical to use funds raised at the dinners and parties for such "political expenses" as making trips back to Connecticut during the year and entertaining constituents when they visit Washington.

Dodd also is reported planning to urge that the Ethics Committee and IRS provide a set of firm guidelines to aid himself and other senators in their future handling of political funds.

Dodd's planned defense contrasts considerably with an argument offered earlier several weeks ago by the Senator's "associates," who said he viewed the funds as personal gifts, not campaign or political contributions. Dodd later said he had not authorized any associates to speak for him.

If Dodd does use the "political purposes" argument to explain how the funds were used, he presumably will be asked to explain why the contributions were not reported to either the Connecticut Secretary of State or the Secretary of the Senate.

One Dinner in Reports

His reports for the 1958 and 1962 campaigns include a reference to only one testimonial dinner—\$18,144 raised at a 1958 event.

Dodd also would have to refute the allegation, leveled by newspaper columnists Drew Pearson and Jack Anderson,

that \$20,915 from a 1961 fund-raising dinner was deposited in his personal bank account.

The columnists also have charged that Dodd used the political funds to pay for personal liquor bills, plane trips for his family, expenses incurred at the Congressional Country Club, and other similar personal expenses.

In his defense, Dodd is expected to rely heavily on a 1954 IRS ruling which states: "Where a political gift is received by an individual or a political organization and it is held or used for the purpose intended, i.e. for present or future expenses of a political campaign or for some similar purpose, it is not taxable income to the recipient."

He is expected to argue that the "present or future" clause allows him to use the funds raised at testimonial dinners to pay expenses incurred several years previously if they were for legitimate political purposes.

The original defense attributed to associates of Dodd—that the funds raised were tax-free personal gifts—was offered at a time when the IRS was interpreting the applicable law to hold that the contributions would be tax-free if the donors intended them as personal gifts.

At that time, it was argued that there was no way of ascertaining the intent of the several thousand persons who attended the dinners.

However, Sen. John J. Williams, R-Del., last week produced a letter to persons invited to a 1963 cocktail party in Dodd's honor, which specifically said money contributed would be used for campaign purposes.

Williams also cited a portion of the 1954 IRS ruling which said "... when a political candidate or officeholder diverts campaign contributions to his personal use, these funds constitute taxable income to him."

Williams and other senators said the donations could not simply be considered as personal gifts without a further investigation. The IRS later announced that it had opened a complete investigation of Dodd's tax situation.